MDS Health Group Limited

1974
Annual Report

WHAT IS MDS?

MDS Health Group Limited is a Canadian company dedicated to supporting the practising physician by providing managerial and technical systems designed to increase his effectiveness as a busy and frequently over-worked professional.

MDS employs 870 people in five divisions, and through the medium of a number of medical advisory boards brings the professional services of more than 100 physician-consultants to bear on a wide range of highly technical and professional products and services.

MDS Health Group Limited is a public company, listed on the Toronto and Montreal stock exchanges.

MDS — ITS DIVISIONS

1. MDS Laboratories has recognized the needs of the small communities as well as those of the larger, more densely populated centres and, as a consequence, is currently providing 96 locations in Ontario and Quebec from which laboratory service is available to physicians and hospitals.

2. MDS Professional Services Limited provides development management services which include building design, construction management, mortgage financing and leasing assistance related to medical buildings. Custom office design as well as financial 'services' are also offered to the medical profession.

3. MDS Health Care Services is concerned with the provision of executive and pre-employment health examinations as well as a paramedical screening service for insurance applicants.

4. MDS Pharmaceuticals is engaged in the manufacture of ethical generic products for physicians, hospitals and pharmacists. This division is also involved in an ongoing new drug development program.

5. MDS Supplies Division (which incorporates OCW Diagnostics) has both manufacturing and marketing interests in the field of medical laboratory supplies.

REPORT TO SHAREHOLDERS

Fiscal 1974 was a year of continued growth for MDS with gross revenues and operating income at an all time high.

Gross revenues increased to $15,752,953 compared with $10,428,984 for fiscal 1973. Net income before extraordinary items for the fiscal year was $804,761 compared with $666,611 for fiscal 1973. The Company's per share earnings before extraordinary items increased 20% from $.31 in fiscal 1973 to $.37 in fiscal 1974.

During the year, MDS increased its ownership in Canapharm Industries Inc. from 24% to 100% primarily to acquire the Canadian licensing rights to potentially valuable ethical drug products. Because of the uncertainties associated with the approval and commercial acceptance of any new drug product a decision was made to write off as an extraordinary item in fiscal 1974 $402,209 of costs related to the development, licensing and goodwill of pharmaceutical products. We are continuing emphasis on our program for the introduction of significant new ethical drug products in Canada and are currently in clinical trials on one product and waiting approval to go to clinical trials on several others. If all goes well we are looking to have some new products approved and available for marketing in the latter part of 1976.

During 1974 MDS entered the laboratory supply business with the acquisition of the Quebec based company Otto C. Watzka. Since acquisition the product range of this company has been expanded and we are looking for significant sales growth in 1975. Subsequently a new division, OCW Diagnostics has been formed to manufacture and market specialized laboratory diagnostic products in Ontario and the rest of Canada.

Despite a year of uncertain economic conditions and high interest rates, MDS Professional Services Limited had a very successful year in the development of medical buildings. At fiscal year end nine medical buildings were under construction with a total gross area in excess of 275,000 square feet. In addition, the company acted as development manager to two non-medical projects totalling 400,000 square feet.

In order to handle its expanding business, in July the Health Care Services division moved to new, larger facilities in Montreal. During 1974 several new services were added by Health Care Services which are expected to sustain the rapid growth of the last few years.

On May 1, 1974 a revised laboratory fee schedule was introduced in Ontario. This new schedule incorporated a significant number of changes in the method and amount of payment for individual laboratory procedures, but in total was to provide equivalent revenues to the old fee schedule, that is, no fee increase or decrease. A recent study conducted by the Ministry of Health in conjunction with the Ontario Medical Association and the Ontario Association of Medical Laboratories has shown that in fact the new system of payment has not resulted in equivalent revenues, but rather in a fee decrease of 8%. It is expected that revisions will be made to the fee schedule on May 1, 1975 that will correct this situation and make up for lost revenues.

Despite the reduced fees, MDS Laboratories managed an increase in gross revenues with the continuing growth in the volume of tests performed. However, profitability as a percent of gross revenues decreased due to a significant increase in labour and material costs and the lower fees in the latter part of fiscal 1974. This trend is expected to continue in the first half of 1975 until the fees are adjusted in May.

At the end of fiscal 1974, J. F. McElroy resigned as a full-time employee of MDS, but he will continue a close association with the company as both a consultant and Chairman of the Board. Mr. McElroy was the prime mover in the founding of MDS and we are indebted to him for the significant contributions he has made to the company.

On behalf of the company, I wish to express my thanks to all employees, consultants, shareholders and users of our services, whose continuing support will make 1975 another year of growth and prosperity for MDS.

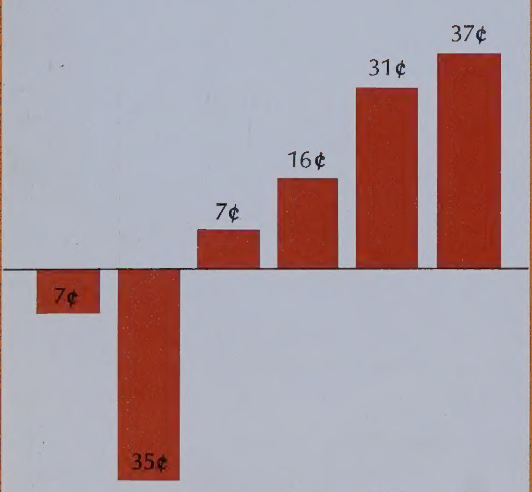
February 10, 1975

Yours sincerely,

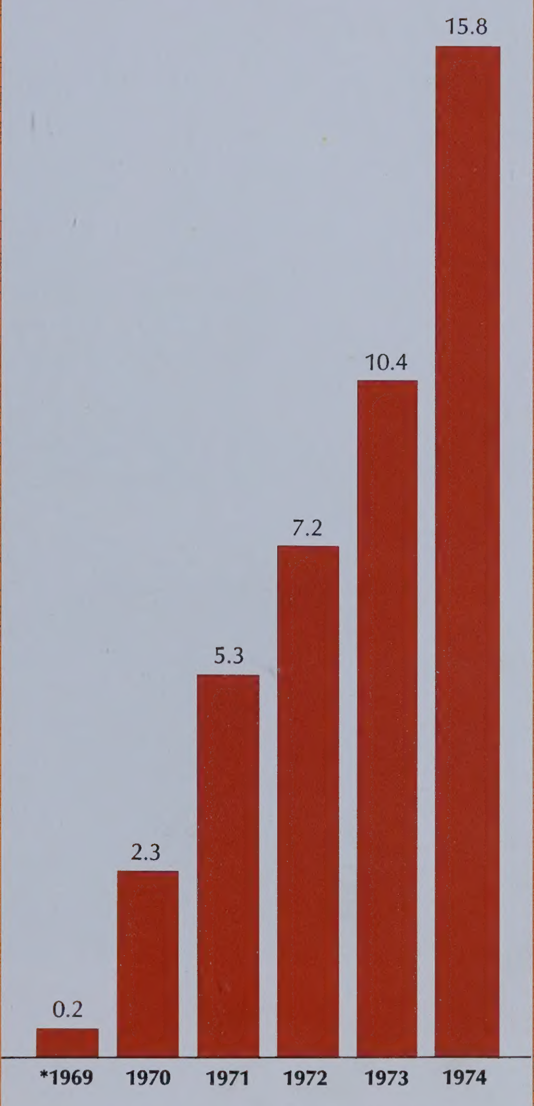
W. G. Lewitt

W. G. Lewitt
President

COMPARATIVE RESULTS



EARNINGS PER COMMON SHARE
Before extraordinary items
Years ended October 31



ANNUAL REVENUES IN MILLIONS
Years ended Oct. 31.

*April 17-October 31

MDS LABORATORIES

1974 was a year of significant change and continued growth.

GROWTH

In 1974 MDS added 10 new locations to its roster, bringing the total at year end to 55 laboratories and 41 specimen collection stations. The volume of tests carried out within MDS facilities in 1974 increased 30% over 1973.

CHANGE IN FEE SCHEDULE

1974 saw the Ontario Medical Association change its Schedule of Fees, and introduce an entirely new approach for the payment for laboratory services. Prior to 1974, the OMA fee schedule listed a dollar-and-cents fee for each procedure. With this fee structure, an automated procedure was assigned a lower fee than the same procedure done manually. This year, the OMA assigned a unit value to each test and eliminated the higher fee for manual testing, thereby creating an incentive for laboratories to improve their efficiency through automation.

MECHANIZATION PROGRAM

The MDS Medical Advisory Board, primarily through its Haematology and Biochemistry Subcommittees, carried out an in-depth evaluation of more than 30 different automated analyzers. Their findings resulted in the division's proceeding to commit over $500,000 to the purchase of automated analyzers and systems, with the confidence that the quality, accuracy, precision and reproduceability of results had been fully evaluated.

MANAGEMENT TRAINING PROGRAM

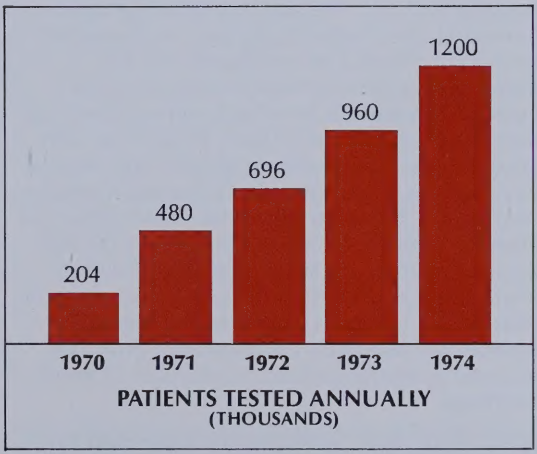
Growth and automation have increased the time and effort dedicated to an in-house management training program for laboratory managers and supervisors.

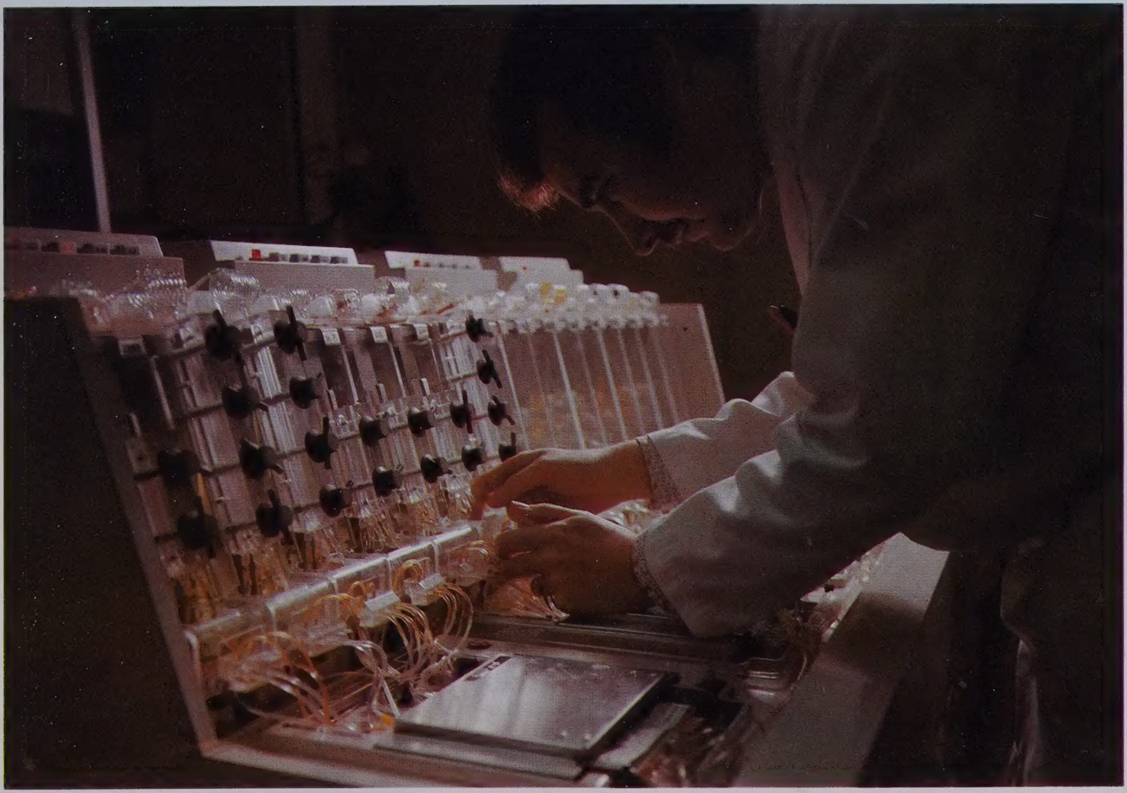
RESEARCH GRANT

This year, the National Research Council of Canada, through the Industrial Research Assistance Program, awarded a grant of $140,000 to MDS Laboratories for a three-year study for research into an automated technique for the evaluation of lipoprotein phenotyping.

ONTARIO ASSOCIATION OF MEDICAL LABORATORIES

In 1974, MDS Laboratories with a number of independent private clinical laboratories established the Ontario Association of Medical Laboratories. It is the purpose of the Association to provide constructive professional leadership to independent medical laboratories in the Province, and to improve communications with other professional associations and government agencies.





MDS PROFESSIONAL SERVICES LIMITED

Looking back over the past year shows us clearly how much this division has grown. At the end of fiscal 1973, "Prof" had completed only the Alexander Building in Peterborough, and had a number of proposals for other buildings awaiting acceptance. At the end of fiscal 1974, "Prof" saw, in addition to the Peterborough building, medical buildings being erected in St. Catharines, Kitchener, Newmarket, Belleville, Owen Sound, Kingston and Toronto. These buildings comprise over 275,000 gross square feet and will house more than 120 physicians. Laboratory services, radiology services, pharmacies, opticians and other paramedical services will also share the premises. "Prof" has retained an equity position in a number of these buildings.

In addition, "Prof" is development manager to two major downtown redevelopment projects of a non-medical nature in St. Catharines and Belleville, Ontario; having a combined gross area in excess of 400,000 square feet.

As its primary aim, MDS Professional Services strives to work with physicians to strengthen the private practice of medicine by developing community-oriented 'one-stop' ambulatory health care facilities, and to provide health practitioners with a comprehensive range of business and financial services to meet their personal and professional needs. Based on the growth in 1974 and the increasing demand for services in early 1975, the concept upon which "Prof" was founded appears to be both needed and accepted by practitioners.

As a complement to its construction activities, "Prof", through a subsidiary, Polycon Developments Limited, offers an office design service, tailored to the requirements of doctors and dentists. Polycon also provides the construction services to build the designed suites.

Despite the relatively unfavourable general economic conditions prevailing through 1974, "Prof" has prospered, and looks forward to continued rapid growth throughout 1975.

Century Place
Belleville, Ontario

York Professional Building
Newmarket, Ontario

Donvale Family Medical Centre
Parliament St., Toronto, Ontario

Kitchener Professional Building
Kitchener, Ontario

Kingston Medical Arts Building
Kingston, Ontario

MDS HEALTH CARE SERVICES

MDS Health Care Services grew 52% in 1974. A major expansion took place in Montreal with the transfer of the clinic from Sherbrooke Street to Westmount Square.

EXECUTIVE HEALTH EXAMINATION PROGRAM
The executive examination offered by MDS represents the practical application of preventive medicine as a consulting service to industry. Executives are examined on an annual basis to identify trends and changes in health status. The Executive Health Examination consists of a medical examination by a qualified internist, plus a carefully planned sequence of tests and procedures, all carried out in one visit to one location. The consultant's report is forwarded to the individual's personal physician who is responsible for ongoing care. During 1974, more than 1200 executives participated in this program.

PRE-EMPLOYMENT HEALTH EXAMINATION PROGRAM
A Pre-Employment Health Examination Service is provided to companies who wish to have their prospective employees medically examined prior to employment. This program is designed to establish parameters for the prevention of disease associated with employment. More than 1000 individuals were examined in this program in 1974.

PARAMEDICAL SERVICES
During 1974, more than 20,000 life insurance applicants were interviewed by Registered Nurses specially trained by MDS, to collect medical evidence of insurability. This program is usually referred to as the MDS mobile paramedical service since 85% of the health checks are held in the applicants home or office.

MDS Health Care Services' resource group includes 16 qualified internists, cardiologists, and radiologists who act as medical consultants and examiners, and 30 nurses.

MDS PHARMACEUTICALS

At the beginning of fiscal 1974, MDS increased its ownership in Canapharm Industries Inc. from 24% to 100%, in order to acquire the licensing rights to new ethical drug products held by Canapharm.

Canapharm Industries manufactures and distributes a line of prescription drugs for hospitals, government agencies, and pharmacies. It is working in association with several independent, research-based pharmaceutical manufacturers in Europe to introduce a number of new products to Canada and North America. Among those medications currently in various stages of qualification for sale in Canada are products which may prove to be useful in the treatment of peptic ulcer, herpes type viral infections, and reflux esophagitis. If the clinical trials and other tests prove favourable, the first of the drugs should be available for marketing in the latter part of 1976.

MDS SUPPLIES DIVISION—OCW DIAGNOSTICS

The Supplies Division is the newest division within MDS. As an initial move into the supplies area in 1974, MDS acquired Otto C. Watzka Co. Limited, a well-established Montreal based laboratory supply company, selling equipment, consumables and diagnostics. In the Fall of 1974, Watzka signed an agreement to represent exclusively Johns Scientific in Quebec. This agreement provided the company with Canadian manufactured glassware, and other exclusive lines to complement Watzka's existing product offering. With the addition of the John's lines, substantial growth is expected in 1975.

To establish the operational base in Ontario, OCW Diagnostics was formed in the latter half of 1974, for the purpose of supplying the MDS Laboratories, as well as to developing its own organization to service the Ontario market. Headquartered in Toronto, OCW Diagnostics acts as a centralized purchasing, manufacturing, and distribution facility for MDS Laboratories.

A manufacturing facility has been developed during the past year, to provide reagents for the MDS Laboratories, and as an entry for the company into the actively growing field of diagnostic reagent systems. Current R & D effort is oriented toward expanding the product range for both internal and external consumption.

The product offering of OCW Diagnostics will be marketed under the OCW Diagnostics label. Long range plans call for the establishment of a national distribution network.

THE YEAR IN REVIEW

	1974	1973	Percentage Increase
Revenues	$15,753,000	$10,429,000	51.1
Depreciation	237,000	153,000	54.9
Income Taxes	840,000	641,000	31.1
Net Income (Before Extraordinary Items)	805,000	667,000	20.7
Net Earnings Per Share (Before Extraordinary Items)	$ .37	$ .31	19.3
Shareholders' Equity	4,621,000	4,234,000	9.1

ANNUAL MEETING

The annual meeting of the Company's shareholders will be held on Tuesday, March 18, 1975 at 4:30 p.m. in the Bristol Place Hotel, Rexdale, Ontario.

CONSOLIDATED BALANCE SHEET

OCTOBER 31, 1974 (with comparative figures as at October 31, 1973)

ASSETS	Cost	Accumulated depreciation and amortization	1974	1973
CURRENT ASSETS:				
Cash and short term investments			$ /	$ 871,601
Accounts receivable (note 3(b))			3,164,206	1,600,227
Inventory, at lower of cost and net realizable value			836,682	277,745
Future income tax reductions			334,900	
Prepaid expenses			87,953	41,741
			4,423,741	2,791,314
INVESTMENT IN SHARES OF, AND ADVANCES TO OTHER COMPANIES, AT COST			120,986	201,320
FIXED ASSETS:				
Land	$ 20,000	$	20,000	22,000
Buildings	54,609	3,150	51,459	12,773
Equipment and furniture	1,944,640	646,482	1,298,158	645,345
Leasehold improvements	757,060	398,548	358,512	296,532
	$2,776,309	$1,048,180	1,728,129	976,650
Excess of amounts paid over the fair value of the net tangible assets acquired on the purchase of shares and assets, less amortization and write off			3,449,718	3,421,253
Premises and equipment deposits			46,855	80,482
			$9,769,429	$7,471,019

(See accompanying notes)

LIABILITIES	1974	1973
CURRENT LIABILITIES:		
Bank indebtedness (note 3(b))	$1,510,256	$
Accounts payable and accrued liabilities	1,219,857	743,030
Current portion of long term debt (note 3)	128,500	223,500
Income and other taxes payable	335,770	691,128
	3,194,383	1,657,658
LONG TERM DEBT (note 3)	1,845,660	1,544,160
DEFERRED INCOME TAXES	49,000	
MINORITY INTEREST	59,715	35,263
SHAREHOLDERS' EQUITY:		
Capital stock (note 4)		
Authorized:		
387,000 8% convertible, cumulative preference shares redeemable at a par value of $5 per share		
3,750,000 common shares without par value		
Issued:		
42,046 preference shares	210,230	210,230
2,146,752 common shares (2,146,419 in 1973)	3,704,822	3,703,823
Retained earnings	705,619	319,885
	4,620,671	4,233,938
	$9,769,429	$7,471,019

On behalf of the Board:

J. F. McElroy, Director W. G. Lewitt, Director

To the Shareholders of MDS Health Group Limited:

We have examined the consolidated balance sheet of MDS Health Group Limited and its subsidiaries as at October 31, 1974 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the consolidated financial position of the companies as at October 31, 1974 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles which, except as explained in note 1(d) to the financial statements, were applied on a basis consistent with that of the preceding year.

Toronto, Canada,
January 18, 1975.

CLARKSON, GORDON & CO.
Chartered Accountants

CONSOLIDATED STATEMENT OF INCOME

YEAR ENDED OCTOBER 31, 1974 (with comparative figures for 1973)

	1974	1973
Gross revenues	$15,752,953	$10,428,984
Less discounts	1,176,886	896,531
Net revenues	14,576,067	9,532,453
Operating costs before the following	12,444,803	7,990,443
Depreciation and amortization	236,567	153,327
Interest expense—long term debt	197,438	127,360
—other	60,617	14,115
	12,939,425	8,285,245
Operating income	1,636,642	1,247,208
Interest income	32,571	60,403
Income before income taxes, minority interest and extraordinary items	1,669,213	1,307,611
Provision for income taxes	840,000	641,000
Income before minority interest and extraordinary items	829,213	666,611
Minority interest	24,452	
Income before extraordinary items	804,761	666,611
Extraordinary items:		
Write off of pharmaceutical division acquisition costs (note 5)	(402,209)	
Write down of investment in shares of Canapharm Industries, Inc.		(81,000)
Net income for the year	$ 402,552	$ 585,611
Earnings per common share:		
Before extraordinary items	$ .37	$ .31
For the year	.18	.27

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

YEAR ENDED OCTOBER 31, 1974 (with comparative figures for 1973)

	1974	1973
Retained earnings (deficit), beginning of year	$ 319,885	($ 246,308)
Net income for the year	402,552	585,611
Dividends paid on preference shares	(16,818)	(19,418)
Retained earnings, end of year	$ 705,619	$ 319,885

(See accompanying notes)

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED OCTOBER 31, 1974 (with comparative figures for 1973)

	1974	1973
FUNDS WERE PROVIDED FROM:		
Operations—		
Income before extraordinary items	$ 804,761	$ 666,611
Add charges not requiring an outlay of working capital:		
Depreciation and amortization	236,567	153,327
Deferred income taxes	49,000	
Funds provided from operations	1,090,328	819,938
Long term debt of acquired company	425,000	
Issue long term debt		700,000
Issue common shares	999	65,766
Minority interest in subsidiary	24,452	35,263
Decrease other assets	113,241	
Total source of funds	1,654,020	1,620,967
FUNDS WERE APPLIED TO:		
Invest in subsidiaries and divisions—		
Purchase divisions and subsidiaries, less working capital and fixed assets acquired	430,674	535,444
Less portion of purchase prices satisfied with the issue of long term debt	(80,000)	(200,000)
	350,674	335,444
Purchase fixed assets	987,326	380,204
Reduce long term debt over one year	203,500	247,500
Pay dividends on preference shares	16,818	19,418
Increase other assets		126,811
Redeem preference shares		65,000
Total application of funds	1,558,318	1,174,377
Increase in working capital	95,702	446,590
Working capital, beginning of year	1,133,656	687,066
Working capital, end of year	$1,229,358	$1,133,656
REPRESENTED BY:		
Current assets	$4,423,741	$2,791,314
Current liabilities	3,194,383	1,657,658
	$1,229,358	$1,133,656

(See accompanying notes)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED OCTOBER 31, 1974

1. **Accounting policies**
The following is a summary of certain significant accounting policies followed in the preparation of the consolidated financial statements. The policies conform to generally accepted accounting principles and, except for the change described in note 1(d), have been applied consistently.

(a) Basis of consolidation

The accounts of all subsidiaries are consolidated on a purchase basis from the date of acquisition.

(b) Fixed assets

Depreciation is provided on a straight line basis over the estimated useful life of the property. Leasehold improvements are amortized over the lesser of ten years or the length of the lease plus one renewal option.

(c) Development and start-up costs

Costs associated with development of new products and locations and with the acquisition of new business are expensed as incurred.

(d) Amortization of intangibles

For acquisitions after March 31, 1974, in accordance with the recommendations of the Canadian Institute of Chartered Accountants, the excess of amounts paid over the fair value of the net tangible assets acquired on the purchase of shares and assets is being amortized over forty years. Previously no amounts were amortized.

(e) Income taxes

The company follows the deferral method of income tax allocation. Deferred income taxes result from claiming deductions for tax purposes (principally depreciation and amortization) in excess of amounts charged in the accounts. Under this method where the company is virtually certain of realizing a future income tax reduction from a loss-carry forward for tax purposes, the future income tax reduction is recognized in the accounts in the current year.

2. **Acquisition of new businesses**
During the year, the company acquired a laboratory supply company, four medical laboratories and the remaining 76% of the outstanding shares of Canapharm Industries Inc. for a total consideration of $479,000, $399,000 in cash and $80,000 in debt (with payment terms that extend to January 11, 1979), bearing interest at rates of 8% and 10%. Of the total purchase price, $264,326 was ascribed to net assets and $214,674 to goodwill of which $141,000 of goodwill was reflected on the books of an acquired business. In order to state net assets at fair market value, $209,500 was allocated to future income tax reductions.

3. **Long term debt**

	1974	1973
$7\frac{1}{4}\%$ to 10% notes due up to January, 1979	$ 210,000	$ 207,500
10% debentures, due May 15, 1975 (a)	799,160	799,160
Bank term loan (b)	440,000	560,000
Bank term loan (c)	325,000	
Non-interest bearing note, due September 15, 1983	100,000	
5% debentures, due October 2, 1998 (d)	100,000	100,000
Debt outstanding 1973, retired in 1974		101,000
	1,974,160	1,767,660
Less portion included in current liabilities	128,500	223,500
	$1,845,660	$1,544,160

(a) These debentures are secured by a floating charge on the companies' undertakings, properties and assets.
Holders of $80,975 10% debentures have unconditionally waived the receipt of any interest otherwise due to them.
These debentures have been shown as long term debt as the company has arranged an $800,000 term loan with a Canadian chartered bank which is to be used to repay the debentures.

(b) The company arranged operating lines of credit with Canadian chartered banks which are secured by an assignment of accounts receivable. The term loan ($440,000) is being repaid in equal monthly instalments to June 1, 1978. As part of the loan agreement certain warrants to purchase common shares were granted to the bank (refer to note 4(c) (ii)).
In addition to the usual conditions, the company has agreed to maintain a minimum working capital of $250,000 which is defined so as to exclude debt incurred on the purchase of businesses that is more than 90 days from maturity.

(c) This loan is secured by a floating charge debenture issued by a subsidiary company. The loan is to be repaid in equal monthly instalments beginning October 15, 1976 through to September 15, 1983.

(d) Under certain conditions these debentures may be converted into common shares of a subsidiary company, MDS Professional Services Limited. In the event of conversion the company would continue to be a subsidiary.

4. **Capital stock**

(a) Issue of common shares

During the year 333 common shares were issued for a total consideration of $999 on the exercise of an employee stock option.

(b) Employee stock option plan

Under the employee stock option plan, 100,000 common shares are reserved.
During the year options to purchase 33,500 shares were issued, options to purchase 2,350 shares expired, and options to purchase 333 shares were exercised. As at October 31, 1974, 70,034 options were outstanding, 68,634 at $3 per share and 1,400 at $4 per share. Subsequent to October 31, 1974, with the concurrence of the Stock Exchange, employees were given the option to cancel their existing options and to substitute new options at $1.25 per common share. These new options are exercisable at various dates up to January 2, 1978.

(c) Other rights to acquire common shares

(i) The 10% debentures payable (principal value $799,160) were accompanied by warrants permitting the holders to purchase 159,832 common shares at $5 each up to May 15, 1975.
(ii) As part of a bank loan agreement (refer to note 3(b)), the company issued warrants to the bank to purchase 14,400 common shares at $5 per share exercisable on or before January 30, 1978.
(iii) Preference shares may be converted at any time on a one-for-one basis into common shares.

(d) Dividend restrictions—

Dividends on the common shares may only be paid with the approval of 10% debenture holders and the bank.

5. **Extraordinary item**

In order to acquire the licensing rights to what the company considers are potentially valuable ethical drug products, the company acquired the remaining 76% of the outstanding shares of Canapharm Industries Inc. As at October 31, 1974, the company concluded that the costs incurred were uncertain of recovery because of the time it will take to develop commercially the new ethical drug products presently in the process of being tested. Accordingly, these costs amounting to $402,209 attributed to development, licenses and goodwill, including $131,250 expended in an earlier year, have been written off.

6. **Statutory information**

The aggregate remuneration of directors and senior officers (as defined in the Ontario Business Corporations Act) was $282,000 in 1974 and $277,000 in 1973.

On October 31, 1974 the company amalgamated with a wholly-owned subsidiary, Toronto Medical Laboratories Limited; the name of the amalgamated company continued to be MDS Health Group Limited.

7. **Commitments**

Under the premise and equipment leases entered into by the company and its subsidiaries up to October 31, 1974, the companies are obliged to make minimum payments of approximately $575,000 in 1975, $495,000 in 1976, $315,000 in 1977, $225,000 in 1978, $150,000 in 1979, and $185,000 in total over the period 1980 to 1984.

8. **Contingent liabilities**

In 1970 the company experienced costs in connection with an AGA laboratory machine that could not be brought to a satisfactory operational level. The related costs and estimated costs were reflected in that year as an extraordinary item in the consolidated statement of loss. The company has commenced a legal suit to recover specific costs of $351,861 and general damages of $100,000. A counter claim of $468,277 has been entered in this action. Counsel have advised that the company has a strong defence to the counter claim.

A partially-owned subsidiary has guaranteed two bank loans in amounts of $90,000 and $100,000 which are secured by the assets to which they relate.

SIX YEAR FINANCIAL SUMMARY 1969–1974

	1974	Years ended October 31, 1973	1972 (THOUSANDS)	1971	1970	from Incorporation on April 17, 1969 to Oct. 31, 1969
STATEMENT OF INCOME						
Gross revenues	15,753	10,428	7,203	5,335	2,332	168
Income (loss) before extraordinary item	805	667	337	143	(652)	(127)
Net income (loss) for the year	403	586	624	351	(1,072)	(127)
BALANCE SHEET						
Working capital	1,229	1,134	687	113	(205)	813
Fixed assets (net)	1,728	977	750	567	574	283
Other assets (including goodwill)	3,618	3,703	3,122	2,749	2,561	931
Total assets	9,769	7,471	6,117	4,353	3,833	2,320
Long term debt	1,846	1,544	892	1,485	1,682	206
Shareholders' equity	4,621	4,234	3,667	1,944	1,248	1,821
SOURCE OF FUNDS (selected items)						
Working capital from operations	1,090	819	454	228	(540)	(109)
Issue of common shares	1	66	1,000	—	—	1,548
Issue of preference shares	—	—	—	275	—	—
Issue of long term debt	425	700	—	—	799	—
APPLICATION OF FUNDS (selected items)						
Purchase of fixed assets	987	380	297	164	481	179
Investment in subsidiaries and divisions	351	335	140	4	460	411
Dividends on preference shares	17	19	22	—	—	—
Reduction of long term debt	204	248	603	203	18	—
PER COMMON SHARE ($ per share)						
Earnings (loss) before extraordinary item	.37	.31	.16	.07	(.35)	(.07)
Earnings (loss) after extraordinary item	.18	.27	.30	.19	(.57)	(.07)
Number of shares outstanding at end of period (000's)						
Preference	42	42	55	55	—	—
Common	2,147	2,146	2,107	1,888	1,877	1,775

OFFICERS AND DIRECTORS

Officers:

J. F. McELROY, Chairman
W. G. LEWITT, President
and Chief Executive Officer
R. H. YAMADA, Vice-President, Secretary
D. M. PHILLIPS, Vice-President, Finance
J. G. ROWNEY, Treasurer, Asst. Secretary

E. K. RYGIEL, President,
MDS Professional Services

Directors:

J. F. McELROY,
President, McElroy Consultants Ltd.

†W. G. LEWITT,
President and Chief Executive Officer,
MDS Health Group Limited

R. H. YAMADA,
Vice-President, MDS Health Group Limited

°Dr. WILLIAM ANDERSON,
Pathologist, Toronto General Hospital

°Dr. J. C. NIXON,
Medical Director, MDS Health Group Limited

†*J. W. L. FORDHAM,
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Diamond Shamrock Corporation

†*A. GRIEVE,
President, Gdn. Ventures Limited

*R. HORNER,
Vice-President, Guardian Capital Group Limited

R. D. WILSON, Q.C.
Partner, Fasken and Calvin

†Executive Committee
**Audit Committee*
°Medical Advisory Committee

Head Office:

30 Meridian Road,
Rexdale, Ontario,
M9W 4Z9
(416) 677-7661

Transfer Agents & Registrar

Guaranty Trust Company of Canada,
Toronto–Montreal

Auditors:

Clarkson, Gordon & Co.

Legal Counsel:

Fasken & Calvin

Stock Listing

Toronto Stock Exchange
Montreal Stock Exchange
Symbol – MHG

BANKERS:

Canadian Imperial Bank of Commerce